

AGENDA ITEM SUMMARY

City Council



STAFF

Andy Smith, Redevelopment Manager
Josh Birks, Acting Executive Director

SUBJECT

Consideration of a Motion to Approve an Update to the “Term Sheet” for a Loan to Support the Development of a Middle-Income Housing Project Proposed to be Constructed at 302 Conifer Street, and to Authorize the Acting Executive Director to Sign the Loan Term Sheet

EXECUTIVE SUMMARY

The purpose of this item is to consider authorizing the Acting Executive Director to sign an updated “term sheet” describing the general terms and conditions of a loan from the URA North College Plan Area fund to the developers of a proposed deed-restricted 76-unit multi-family community for low-moderate and middle-income residents to be constructed at 302 Conifer Street. The proposed loan amount is \$3.22 million and will carry an interest rate of 3.0%.

STAFF RECOMMENDATION

Staff recommend approval of the revised term sheet and authorize the Acting Executive Director to sign.

BACKGROUND / DISCUSSION

A 76-unit deed-restricted multi-family community for low-moderate and middle-income residents is proposed to be constructed at 302 Conifer Street (“Project”). The Project site is within the North College Urban Renewal Plan Area boundaries. The Project was awarded Prop 123 equity funding, and has attracted additional investments, however a financial gap remains. URA staff have worked with potential financial partners to develop a novel arrangement that may fill the gap and enable the Project to proceed if approved by the URA Board.

The Project is proposed to be a 76-unit multi-family rental community for low-moderate and middle-income residents. 100% of the dwelling units will be income-restricted, with 59 units (77% of the total) restricted to household incomes at 80% or less of AMI. Because these 59 units fit within the City’s definition of affordable housing, this project may be an affordable housing project for purposes of Land Use Code incentives, if desired by the developer. However, this project will not qualify for traditional affordable housing programs such as Low-Income Tax Credit (LIHTC) financing.

Loan Term Change

As final loan documents come together for this transaction a request has come from the Developer to consolidate the construction draw process. The request is for FirstBank to provide a single sign off and release of any construction draws, including the Authority’s loan funds. As a result, Impact Development

Fund's role in reviewing draw requests will not be as previously described in the approved term sheet. This change, procedurally, is more efficient for the Authority, Developer, and lenders.

Here is some further explanation regarding why staff supports this process change and how it will work:

1. **Why?** It avoids duplicative work between FirstBank and IDF (on behalf of the Authority). It creates a more efficient draw process. In addition, FirstBank and IDF have worked together in this manner in the past.
2. **Procedure.** IDF will be able to view each draw request and even have access to the software platform used by FirstBank. Additionally, there will be "stop notice" language inserted into the documentation that empowers IDF on behalf of the Authority to not fund subsequent draws using Authority funds if their loan is in default.
3. **Protection.** FirstBank will include provisions in the subordination/intercreditor agreement for the Authority to agree that FirstBank administers the funds on behalf of the Authority and would include indemnification/exculpation language.

Bottom-Line

This approach to administering the loan funds during the draw period avoids duplicative work, creates an efficient process for both the developer and the lenders, and provides protection to the Authority through indemnification. Staff support this approach to administering the loan during the draw period.

AUTHORITY FINANCIAL IMPACTS

None.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Revised 302 Conifer Loan Term Sheet
2. Redline to previously approved 302 Conifer Loan Term Sheet